



April 17, 2012

A 360° View of the Proposed FY13 City Budget:

What we're spending,
What we're getting

April 17, 2012
Maryland Hall



Tonight's Presentation:

- Budget overview
- Ignite! presentation
- Q&A



Proposed Fiscal Year 2013 Budget Overview



Three Goals:

1. Effective,
2. Efficient and
3. Transparent

“The best run city in Maryland”



Feedback from a taxpayer

“Sorry, Josh, but you are wrong on the budget.

“Your voters want fiscal responsibility, which in simple terms means no tax increases and reduced spending in all areas.....Not like our Federal Government, that kicks the can down the road, but faces the problems head-on and makes the tough decisions.”



The Raw Numbers

Operating Budget:

\$95.4 million expenses

\$100.6 million revenues

Capital Improvement Program (CIP):

FY13: \$14.2 million

FY13 – FY18: \$61.4 million*

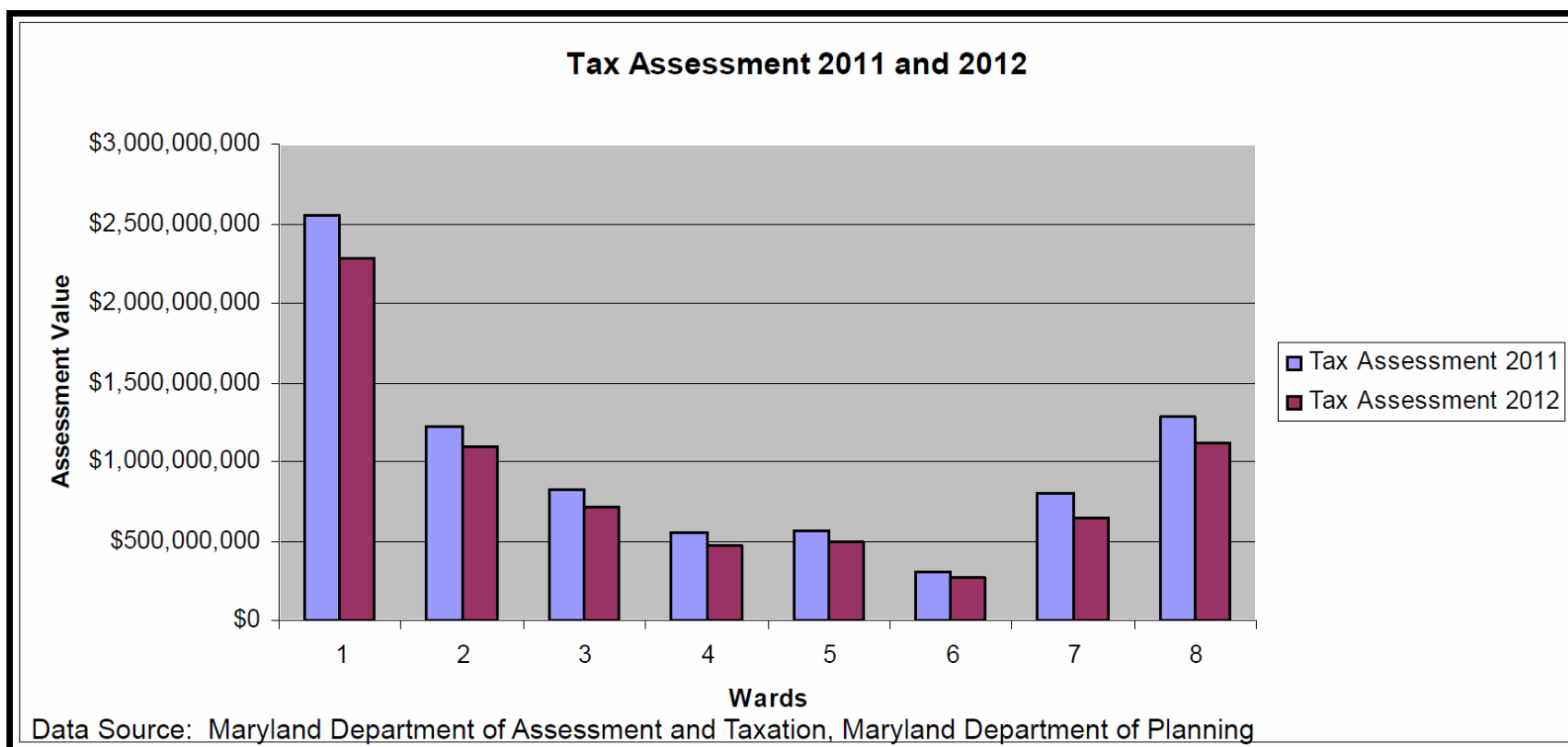
*not including full cost of water plant



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Property Taxes

Taxable Assessment



- Assessable base declined 11.7% citywide
- Assessable base decline in each ward ranged from 10.5% to 18.5%



Property taxes, cont'd

- Triennial reassessment reduced taxable base by 11.7%
 - \$6.88 Billion to \$6.075 Billion
- Current FY12 property tax rate of \$0.56
 - Tax rate must increase by 7 cents to \$0.63 in order to achieve constant yield
- Proposed FY13 budget proposes tax rate of \$0.6583
 - Tax rate increase of 2.83 cents over constant yield
 - **4.5% increase in tax levy over FY12**



Top Three Fiscal Priorities:

1. Structurally balanced budget
2. Restored fund balance
3. Fully funded long term liabilities



Fiscal Priority 1: Structurally balanced budget



- First two years: FY11 and FY12
 - Balanced approach: combination of spending cuts and increased revenues
 - Both steps were necessary to reverse course, stop deficit spending, and restore structural balance to the budget.



Cut expenses

- **Decreased budget by 13%.**
 - Personnel costs were 51% of cuts
 - Laid off 33 employees;
 - Eliminated 66 additional positions
 - Employee contract concessions (health care, COLAs, furloughs) totaled nearly \$2 million.
 - Other cuts included road resurfacing, supplies, equipment, vehicles, etc.
- **Largest budget cut of any of Maryland's 157 municipalities.**



FY 2010

11 Departments

- Central Services
- Economic Affairs
- Finance
- Fire
- Human Resources
- Neighborhood & Envir. Prgms.
- Planning and Zoning
- Police
- Public Works
- Recreation and Parks
- Transportation

5 Independent Offices

- Emergency Management
- Harbormaster
- Law
- Mayor
- Youth and Community Affairs

FY 2012

9 Departments

- Finance
- Fire
- Human Resources
- Neighborhood & Envir. Prgms.
- Planning and Zoning
- Police
- Public Works
- Recreation and Parks
- Transportation

2 Independent Offices

- Law
- Mayor



Personnel Comparison: Then and Now

- FY2010
 - Dec. 2009 total employee count (FTE): 604.5
 - Total budgeted personnel costs: \$54,819,160
- FY2012
 - Dec. 2011 total employee count (FTE): 587.5
 - Total budgeted personnel costs: \$50,170,710

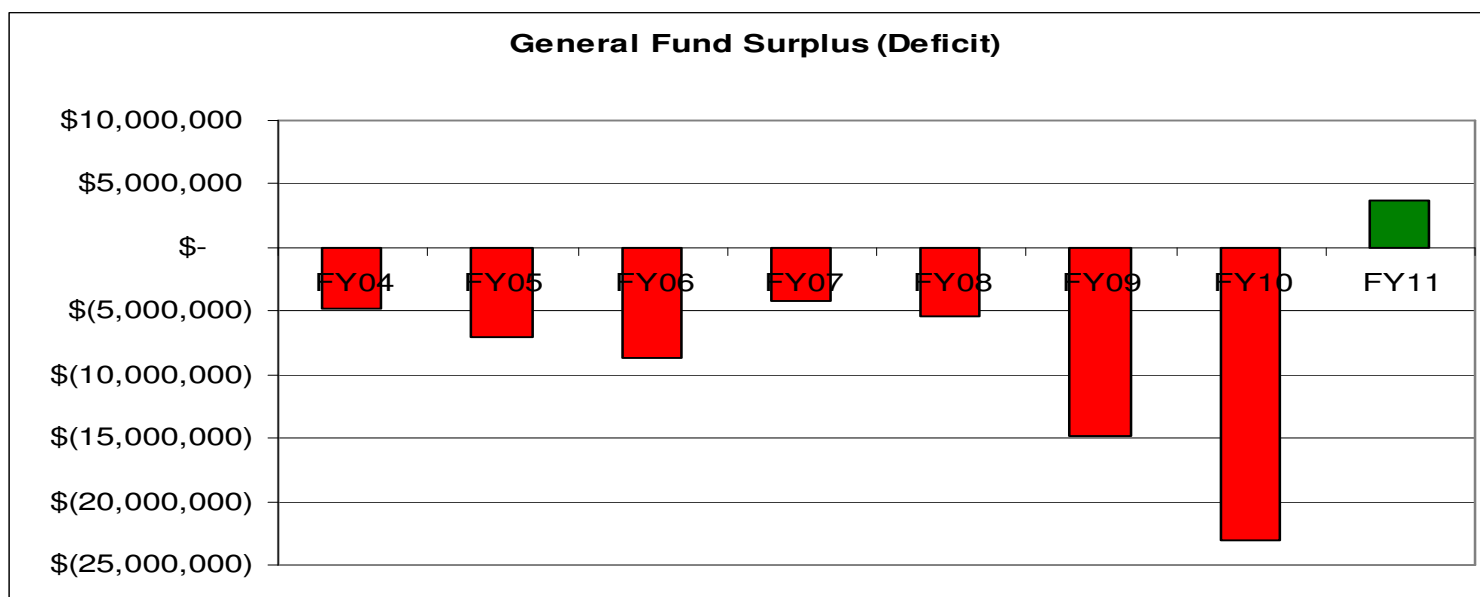


Increased revenues

- Increased property tax rate from \$0.53 to \$0.56
- Increased water and sewer rates 75%
- Increased solid waste fee from \$380 to \$426
- Increased stormwater fee from \$22 to \$40
- Increased bus fare from \$1.00 to \$1.50
- Increase other fees to accurately reflect cost of service



Budget Surplus/Deficit: 8-Year History



Fiscal Year	Gen. Fund Revenues		Gen. Fund Expenditures		Surplus (Deficit)
FY04	\$	38,694,188	\$	43,429,052	\$ (4,734,864)
FY05	\$	44,100,045	\$	51,157,889	\$ (7,057,844)
FY06	\$	46,079,248	\$	54,703,393	\$ (8,624,145)
FY07	\$	48,005,781	\$	52,242,826	\$ (4,237,045)
FY08	\$	51,439,467	\$	56,881,716	\$ (5,442,249)
FY09	\$	57,749,103	\$	72,630,946	\$ (14,881,843)
FY10	\$	56,488,934	\$	79,590,151	\$ (23,101,217)
FY11*	\$	56,558,456	\$	52,880,326	\$ 3,678,130

Source: FY2011 Comprehensive Annual Financial Report, Unaudited

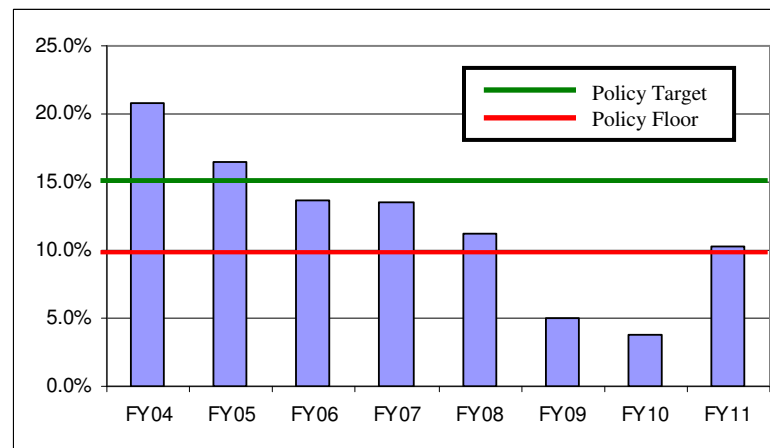
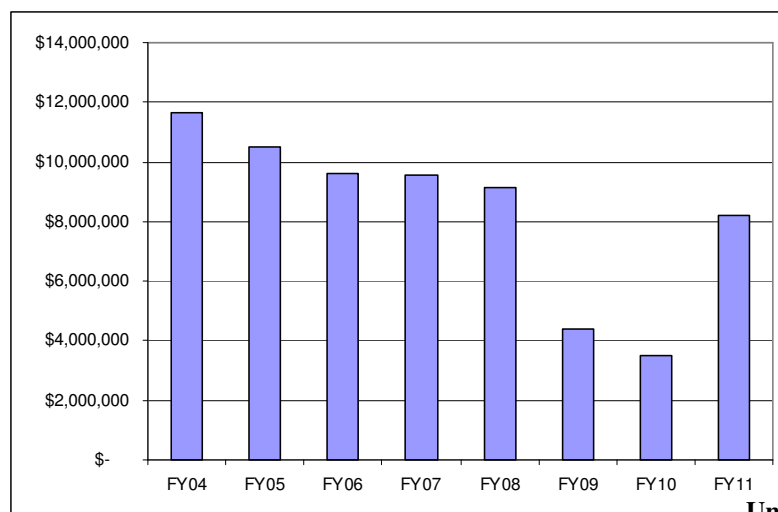


Fiscal Priority 2: Restored fund balance



Unreserved Fund Balance: 8-Year History

(Our policy is 15%, but should be as high as 25% to be a AAA rated municipality).



Fiscal Year	Total Expenses	Unreserved Fund Balance	Fund Balance as % of Total Expenses	Policy Floor	Policy Target
FY04	\$ 56,012,205	\$ 11,649,131	20.8%	10.0%	15.0%
FY05	\$ 63,814,997	\$ 10,515,594	16.5%	10.0%	15.0%
FY06	\$ 70,581,705	\$ 9,619,912	13.6%	10.0%	15.0%
FY07	\$ 70,305,180	\$ 9,534,721	13.6%	10.0%	15.0%
FY08	\$ 81,521,893	\$ 9,124,610	11.2%	10.0%	15.0%
FY09	\$ 89,024,457	\$ 4,407,708	5.0%	10.0%	15.0%
FY10	\$ 97,066,851	\$ 3,478,434	3.6%	10.0%	15.0%
FY11	\$ 85,527,393	\$ 11,815,848	13.8%	10.0%	15.0%



Fiscal Priority 3: Fully funded long-term liabilities



Funded liabilities

- Water and sewer
- Solid waste
- Stormwater



Underfunded liabilities

- Sidewalks: \$20 million liability
- Vehicle Replacement: underfunded \$1.5 million annually
- Transit:
 - Current farebox recovery: 23%
 - Target: 35%
- Personnel
 - Police and Fire Pension: \$20.6 million underfunded
 - Post-Retiree Health Benefits (OPEB): \$46 million underfunded



Police and Fire Pension Contribution History

	POLICE		FIRE	
	Employee	City	Employee	City
FY10	3.5%	-0-	3.5%	-0-
FY11	3.5%	-0-	3.5%	-0-
FY12	3.5%	-0-	5.5%	1%
Proposed FY13	5.5%	4%	5.5%	4%

- Goal: Combined 13% contribution by FY14
(6.5% from employees and 6.5% from City)



New in FY13

- Revenue changes
 - Property tax: 4.5% average increase
 - Bus fare: \$1.50 to \$2.00
 - Water and sewer: \$880 to \$898 annually
 - Solid waste: \$426 to \$378 annual fee



Proposed spending – major highlights

- Personnel:
 - Eliminate furlough days (per collective bargaining): \$662,775
 - Convert 24 contract employees per City Council policy: \$275,000
 - Add nine net new positions
- Long-term liabilities:
 - Add \$4 million from General Fund to unreserved fund balance (\$5.3 million across all funds)
 - Increase fleet replacement funding from \$300,000 to \$1,132,000
 - Increase City pension contribution to 4% for both Police and Fire: \$741,000
 - Dedicate \$600,000 for new sidewalk fund
 - Double OPEB trust fund from \$100,000 to \$200,000



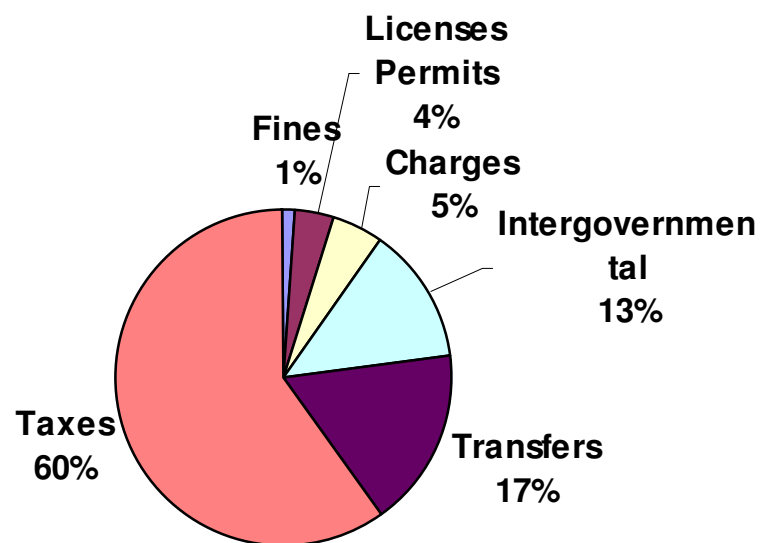
Other spending highlights

- Continued focus on economic development
 - Increase allocation to Annapolis EDC by \$90,000 to \$475,000
 - Increase allocation to Main Streets Annapolis and Arts District by \$12,500 each to \$25,000 each
- Mobility (budget neutral)
 - Expand Gold Route to Edgewater/Sojourner-Douglass College
 - Expand Circulator Trolley to Eastport
- Enhancing community quality of life
 - Increase community grants total by \$45,000 to \$250,000
 - Add \$10,000 for maintenance of Whitmore Park



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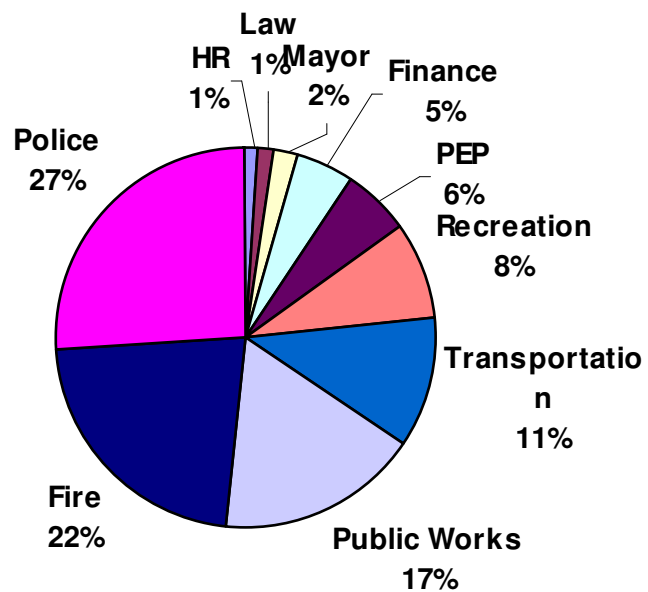
Revenues by Source





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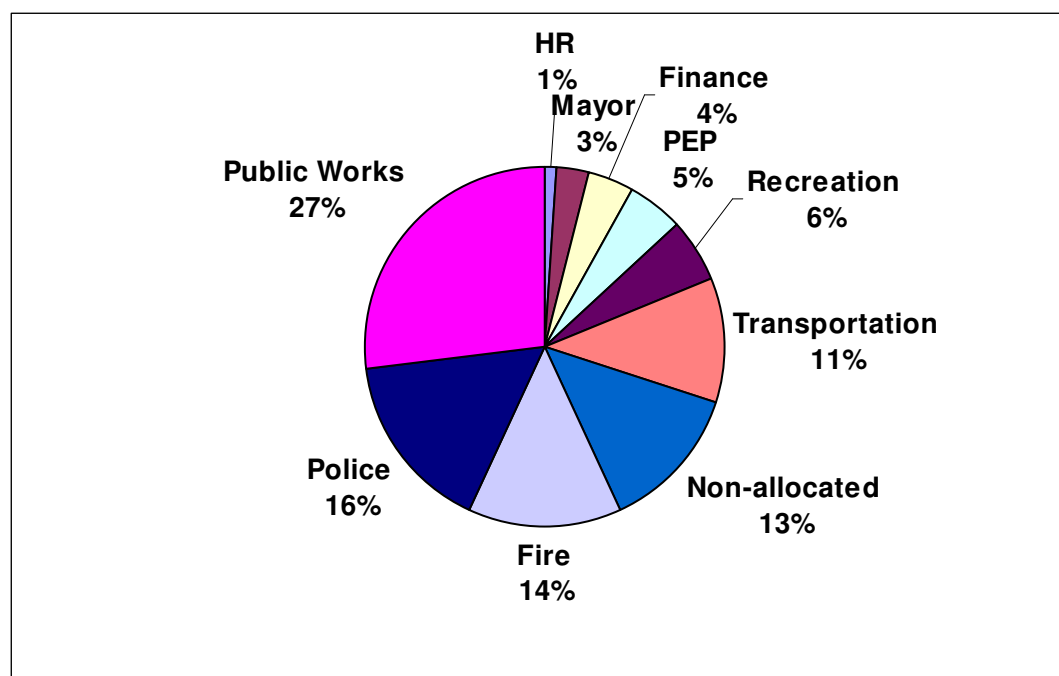
Personnel by Department





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Expenses by Department





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How to compare apples to apples?





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A tale of two cities

(FY 12 data)

Annapolis	Gaithersburg
Pop. 38,000	Pop. 61,000
Employees: 605	Employees: 361
Operating budget: \$90 million	Operating budget: \$48 million



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A tale of two cities

(FY 12 data)

Annapolis	Gaithersburg
Fire: 132 employees	Fire: -0- employees
Transit: 49 employees	Transit: -0- employees
Police: 116 sworn	Police: 55 sworn



Final thought: Bond ratings



City Bond Rating

- Most recent bond ratings issued March 2011:
 - Fitch: **AA+**, stable outlook
 - Standard and Poor's: **AA**, stable outlook
 - Moody's: **Aa3**, negative outlook
- Change:
 - Fitch: downgraded one notch
 - Standard and Poor's: maintained
 - Moody's: downgraded two notches



Moody's:

“The negative outlook reflects Moody's expectation that the city will continue to face difficulties in the implementation of budget adjustments, including revenue enhancements, that will result in a stabilization of the city's declining financial position.

In addition, the liquidity position may continue to face pressure over the near-term as the city attempts to return to structural balance and surplus operations.”



Feedback from a taxpayer

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“Your voters want fiscal responsibility, which in simple terms means no tax increases and reduced spending in all areas.....Not like our Federal Government, that kicks the can down the road, but faces the problems head-on and makes the tough decisions.”



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Thank you